

GREEN MARKETING AS STRATEGIC COMPARATIVE ADVANTAGE OF SERBIAN FOOD COMPANIES ON EUROPEAN UNION MARKET

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ABSTRACT

The Republic of Serbia is about to acquire candidate status to join the European Union. The strategic concept of the Republic of Serbia is to become a full member of the European Union as soon as possible. As a consequence of this, food companies from the Republic of Serbia intending to survive and succeed in the big market of the European Union (a market of several hundred million people) must be prepared on time for what European consumers demand. The European consumer is looking for, above all, a product that is reliable and safe in environmental terms. Every food company in Serbia that wants to satisfy European consumers must give green marketing practices an important place. To meet the stipulations of green marketing, a food product must be made from natural substances, have recyclable packaging, and move through an environmentally sustainable and safe system of distribution to its final consumers. The average European consumer knows what he wants in the ecological sense and requires that the food products he consumes meet those standards. He is looking for a “green” food product. Countries like the Republic of Serbia, with primary agricultural production, food, beverages and other production industries based on the use of natural and ecologically pure substances and materials are the countries that can gain a significant competitive advantage in this area of the European market. The goal of this paper is to show that green marketing can be a strategic comparative advantage for food companies from the Republic of Serbia entering the European Union's broader market.

Keywords: green marketing, comparative advantage, food companies, Republic of Serbia, European Union

INTRODUCTION

Republic of Serbia, it is quite clear, is closer than ever to accomplish a membership in the European Union. That is a strategy of the Republic of Serbia which requires complete willingness of all participants in this process, both individuals and companies for all that candidacy for membership in European Union implies. First of all, it includes respect of basic political, cultural, social and, perhaps the most important, economical principals of modern society.

When the economical principals are in question, that means possibility and capability to confront a complete liberal market, or market economy established within the European Union. This means that market of European Union is open

and gives chance to everybody, but at the same time it should be known that only the best remain. Who makes decisions about that? Only customers have right to decide about this. And what kind of customers are they? They are highly demanding, well educated people, who thinks rationally without emotion... Definitely, they have their own needs which has to be pleased in the best possible way. In that cause they look for the best companies, or best products which can provide greatest satisfaction of their needs.

According to Maslow's hierarchy of needs, between of all needs in the first category (or category of basic needs) need for food can be found. So food and water are definitely needs which, every man, or customer, has to satisfy every day. He is searching for clean water and healthy food. But, in the modern world the whole World, so as European Union is facing the problem of deficit of healthy food. This phenomenon can be seen in increased offer and decreased demand of market. Demand for healthy food in the market of European Union is measured in billions of euros. Presence of healthy food on the market is a very little, or we can say that it is under the needed level. On the market of European Union, there is a big „war“ between food companies, and through them, between states, about things who and how much healthy and organic food will achieve to deliver to the highly demanding European customers.

Republic of Serbia is certainly an integral part of European Union who wishes to find its own place on the European market. Food industry or production of healthy, safe, organic food is exactly one of the areas where Serbia, or its economy can be competitive with economies of all members of European Union, in the struggle for earning sympathy of European customers.

Of all food producers in Republic of Serbia, who wants to be competitive on high demanding market of European Union it is requested increase of its own performances, in quality terms of produce and salesment of high quality products. Toward achieving this pourpose green marketing has the major role. The green marketing has to represent strategic competitive advantage of food companies from Serbia on the market of European Union.

EUROPEAN UNION – YESTERDAY, TODAY AND TOMORROW

European Union is the union of 27 European countries. Union takes its roots from the European Economic Community of Rome established by six European countries in the agreement from the 1957 th. Since then the European Community expanded and gained more power by joining new member states. This community was formed in 1992 under its current name The Treaty on European Union (better known as the Maastricht Treaty). Many aspects of the European Union existed before the signing of this agreement, through various organizations formed in the 50's of the 20th century. Lisbon Agreement signed in December 2007th provided for the amendment of current agreements in order to correct political and legal structure of the European Union. Lisbon Treaty ratification process was completed in November 2009.

European Union is defined as:

- Federation of monetary relations, agriculture, trade and environmental protection;
- Confederation of the social and economic policy, customer protection, domestic policy and
- International organizations in foreign policy.

With almost 500 million people living in it, European Union has a 31% stake in the global nominal ADP (15.8 billion U.S. dollars) in 2007. The European Union represents its members in the WTO, as observers at the G8 summit and the United Nations. Twenty one member of the European Union is a member of NATO. Important institutions of the European Union are, the European Commission, European Parliament, European Council, the European Court of Justice and the European Central Bank. Citizens of European Union every 5 year vote their own representatives in the European Parliament. Common political activities of the European Union are manifested in many aspects from health policy and economic policy to foreign affairs and defense. Passport control at border crossing points of the Member States has lifted the Schengen Agreement.

The European Union is creating a common market through a system of law applicable in all Member States, which guarantees free movement of people, products, services and capital. It maintains a common trade policy, policy on fisheries and regional development, as well as the common agricultural policy. The European Union in 1999th introduced a common currency, the euro, which has so far adopted by most members (*Warleigh, 2004*)

European Union market is (*El-Agraa, 2007*):

- unique
- specific
- progressive
- with great potential

The uniqueness of the European Union market - means the absence of tariff barriers, free movement of people, products, services and capital. The uniqueness of the market also means joint legal and economic framework that any company entering this market must be respected. Many economic sectors are in complete unity of the market, and one of them is the food industry. There is an equal opportunity, equal to the same rules and requirements for all food companies operating or intending to do business in the EU market, both in regard to the necessary production, and sales performance.

Specificity of the EU market - means many things, from which to extract some specificity, which are essential for all food companies, which intend to operate and be competitive in this market. High requirements in terms of product quality (in this case it is a food products) are definitely one of extremely important specificity. Basically, this high demand for organic, healthy, safe and nutritionally valuable food is the fact of the increasing education of European consumers.

Progressivity of EU market - means that this market continuously expanding and growing, in geographical terms, as well as economic. In particular, for a food company that intends to enter this market of great importance is increasing

absorption of the market, which is related to growing demands for food or healthy food of European consumer due to continual growth.

The great potential of EU market - means that the EU market, regardless of a previous growth, has great potential for this in the future, especially as the European Union is expanding. This is an important fact for all food companies, which intend to operate in this market. Also, the potential of this market can be perceived through strategy of European Union to raise the level of education of every citizen of the European Union, which brings a higher level of education of European consumers.

ORGANIC FOOD - GROWING DEMANDS IN THE EUROPEAN UNION

Organic food does not contain any artificially synthesized substances and pesticides. It has a higher nutritional value than food produced by conventional production. Research in Germany have shown that these products have a significantly higher content of oligo minerals, especially potassium and iron, as well as higher levels of magnesium, phosphorus and vitamin C. Similar results occurred in the U.S., where it was determined that these products have 63% more potassium, 73% more iron and 125% more calcium than products obtained by conventional agriculture. The European Union today has the growing demand for organic food.

Organic food can be either fresh or processed, depending on the method of production. Fresh, not processed, organic foods, like fruits and vegetables, can be purchased directly from manufacturers, markets, supermarkets or health food markets. Non processed products of animal origin such as meat, eggs, milk rarely can be found in "fresh" condition.

Under a processed organic foods we can include most of the products that can be found in supermarkets. Most often in the same store can be found product manufactured in both ways organic and conventional. Product manufactured in organic way often costs more. The largest part of the organic food comes from big food manufacturers that produce and sell canned food, frozen vegetables, as well as other conventional food. Processed organic food usually contains only organic ingredients without the add of artificial additives and it is produced using several methods, special materials and under specific conditions. This means not to use chemical and conventional processing methods.

Although occupying just over 1% of the world's food market, organic products became most wanted goods in the world and all the more significant share of these products in world trade flows. It is estimated that the share of these products in world's food market continue to grow in the future.

In the European Union, if the organic food producers wish to mark their product as organic, they must strictly adhere to the adopted standards

European consumers who buy products with this mark can be sure that:

- At least 95% of ingredients are of organic origin
- That the product complies with regulations of the inspection that these products pass

- That the product comes directly from the manufacturer and is packaged in prescribed packaging
- That contains the name of the producer, and the institution which carried out the inspection

The last few years the production and processing of organic products became more popular and economically important. It is understandable considering that the measures and procedures used in conventional production (intensive tillage, growing only one species over large areas, use of mineral fertilizers, chemical control of weeds, pests and diseases and genetic manipulation of crop plant) are aimed at increasing productivity.

However, these procedures are questionable because the finished product is given to destroy the conditions that contribute to long-term maintenance of soil fertility. Land suitable for organic production are not burdened with heavy metals, pesticides, fertilizers or residues, or acidified.

The main arguments for the manufacture and sale of organic food are (*Baourakis, 2007*):

- protection of public health - marking that clearly indicates the manner and method for obtaining organic products
- protection of natural resources from pollution
- long-term maintenance and increase soil fertility
- Biodiversity Conservation
- obtaining products with a confirmed registration procedure
- sustainable socio-economic rural development

FOOD COMPANIES IN SERBIAN – MARKET OF EUROPEAN UNION

Food Industry in Serbia, 80's and early 90's is counted in the middle income as such managed to keep up with global trends. Financial results in most food companies have been positive for years. The products have had their customers in domestic and foreign markets. The food industry is logged trade surplus, output growth, good employment, has a very rare loss and reduce of production capacities.

Today, the food industry accounts for about 20% in the domestic product of Serbia and it is the only sector where the Republic of Serbia has a surplus in trade with the EU. In 2010 exports of agricultural and food products from Serbia was 2.24 billion, and imports about 1.00 billion dollars. The preceding facts point to the role and importance of this sector in the further development of the Republic of Serbia. Fortunately, the state begins to realize this fact. In recent years the state more and more seriously undertake major economic policy measures aimed for improving the economic position of undertakings in the field of agro-industrial sector (tax exemptions, write-downs of debt, export subsidies, different premiums and, somewhat better loans, etc.). This is of paramount importance to all food companies, especially for those who operate or intend to do business in the EU market, which is total market openness and high competitiveness.

All countries in this regard and the Republic of Serbia, who intend to engage in intensive production of organic food, must meet the necessary criteria (Table 1):

1. Isolated plots of land, livestock farms and processing facilities
2. Appropriate quality of irrigation water
3. Coordinated development of plant and animal production
4. Competent experts and manufacturers to produce food organically

Table 1

The ideal locations for organic food in the Republic of Serbia

Location	Areas (ha)
Fruska Gora	33 410
Djerdap	22 009
Tara	15 329
Kopaonik	13 140
Sar planina	12 615
Prokletije	10 198
Karamas	6 738
Palic	5 773
Tikvara	5 766
Begecka jama	5 275

Also, what is important to note that all food companies in the process of production of organic food must have the support of both the primary agricultural producers, and the state. Food companies from the Republic of Serbia in the production of organic foods have more and more support from the primary agricultural producers:

- unpolluted land, production without the use of pesticides and herbicides, no chemical processing of land ..., but also by the government of the Republic of Serbia;
- subsidies that have so far received the household engaged in the production of organic foods are twice higher than the subsidies intended for conventional production.

A great interest of some European countries for the promotion of organic farming in the Republic of Serbia is interesting and very important. German Agency for Technical Assistance - GAT will begin to realize long-term project to strengthen the sector of organic food in the Republic of Serbia. An additional aggravating factor is the fact that the organic food market in Germany is the fastest growing market in the world

Specifically, in 2007th, in this country for the purchase of organic products consumed 420 million euros, and last year the figure was even 5.8 billion euros.

However, the food companies from the Republic of Serbia who wants to increase competitiveness in developed markets, as the European Union market is, it

is necessary to continuously improve its product, organizational and financial structure. It is necessary to modernize, that is, the automation of production and enhance product range. It is particularly important for food companies to receive a high quality professional management. The Partnership is a new concept of long-term, solid contractual relationships between the food and primary agricultural producers, as well as the complete synchronization of the activities of food companies, on the one hand and the state of Serbia, on the other side. In the end, what is extremely important for all actors in the production and sale of organic food is continuously improving marketing strategies and strengthening of all marketing activities (*Zakić and Stojanović, 2008*).

GREEN MARKETING - COMPETITIVE ADVANTAGE

In the end of a last century the world has been intensively began to pay attention to the environment, a parallel process to develop the need for a healthier diet. Fundamental shift in public opinion, where the natural environment is not seen as something God-given, but as the only home that must be nurtured and preserved. World governments have reacted by introducing legal regulations for the operation of food companies, which in turn stimulated the development of businesses related to this industry. "Environmental Marketing" and "Green marketing" are some of the concepts used in marketing products that are suitable for humans and the environment.

Green marketing is the marketing of products that are presumed to be safe for human health and safety, as well as its environment. Green marketing refers to the efforts of organizations to create, pack, promote and sell products that are appropriate and acceptable to the individual and the environment. Green marketing covers a wide range of activities including product modification, production process, packaging, promotion and sales, with the aim of delivering healthy, organic, safe, nutritionally valuable products to the consumers.

To give a prior to any activity in terms of green marketing we must locate and identify the target green consumers, then assess how the group is informed and how the additional training needed to expand or strengthen it. If we observe the demographics of buyers of environmentally friendly, organic products, women are more interested in the environment than men, more likely to buy organic produce and more engaged in sorting waste for recycling. However, men and women are equally interested in their health, and equal representation in the activities of preserving the environment.

Also, persons with higher cash income, education level, and therefore greater access to information, more often pay attention to organic products and the environment. Psychological indicators of consumers tell us that people with conservative values do not wish to complicate their lives with changes, or do not want to be part of something that does not comply with basic standards and therefore not open to changes in standards and purchase green products. Observing the behavior of customers who use green products largely revealed to them has a major influence to other people's opinion, states and environmental groups. They also have a strong identity and a high degree of concern for themselves and for their

environment. Unlike them, the customers who hardly can buy green products suggest that it is hard to find these products on the market. Group of customers called "the Green activists" are definitely the target group, because they are on the highest educational level, working on high-skilled jobs (the middle and senior management, intellectuals, scientists and artists) and have the highest incomes. Must ensure that they also often show great skepticism about the promotional and marketing claims.

Every food company, from the Republic of Serbia, which already produces or intends to produce and sell organic foods necessarily establish and implement a green marketing strategy (Radnović and Ilić, 2011). Green marketing strategy involves managing green marketing mix instruments. It is in adequate formulated and carried out the green marketing and competitive advantage of companies from the Republic of Serbia to the EU market.

Green marketing should include (Chaiika, 2005):

- Green product - means uncontaminated environment, the elimination of harmful chemicals, pesticides and herbicides, natural processing of raw materials to finished product, composed of natural substances, the introduction of green standards, green packaging ... Healthy nature and unpolluted environment, the use of natural and artificial elimination of substances, increased use of green character provides an excellent guarantee food companies from the Republic of Serbia for the production of organic, healthy, safe, adequate nutrition, organic food, reasonable by European consumers.
- Green Value - organic food because of the whole of the natural, often a little time and a long process, and use of natural often expensive and scarce substances (raw materials), understands a lot more cost of the final food product. Since the production of green products and the introduction of green standards in companies demanding money, it is important to find a way to raising the costs to a minimum to not get too much reflected in the price of the final product. Also, at the same time it is necessary to work on educating consumers about what is necessary for the development of green products and all its advantages to a price to be relevant to the quality and cost-effective in the eyes of consumers. However, no matter how it looks at first sight absurd, just for this element of green marketing mix is perhaps the greatest potential for food companies from Serbia to see their business in the EU market. For low-cost labor force in the Republic of Serbia, compared to the same market of the European Union, a strong argument that the same healthy organic food, if produced in the Republic of Serbia, it could be cheaper.
- Green channels of distribution - does not include damage orgnaske food in health, environmental and nutritional in value terms from the outset, that of the primary agricultural producers to the end, or up to European consumers. Green marketing involved collaboration with suppliers and dealers, partners, and sometimes even competitors in order to preserve the health safety, for total security, achieving sustainable development and maintain the full nutritional value throughout the value chain. Food companies from Serbia have good premises for the pure chain from primary producer distriubucije - Serbian peasant producers to the final - the European consumer.

- Green Promotion - information sent to consumers of organic food must be reliable and accurate. It is very important complete candor, because once fooled the consumer is often lost forever consumer. It is therefore extremely important to clearly point out, usually on the packaging of organic products, all ingredients that possess the same, and it is important to point out those most important to the health, environmental, safe, nutritional aspects of organic products. Also, consumer education must be an integral part of green promotion. Food companies from Serbia just because of the quality of green products have more basis for the successful use of green promotion. When this element will large role at the onset of the EU market need to have the state, in terms of more organized and more promotional support companies food organic food from the Republic of Serbia.

CONCLUSIONS

The European market is increasingly and quantitatively demanding, especially in qualitative terms. The European consumer is getting greener. It's all more educational and therefore more informed about what is good for him and what does not. It can not be fooled.

It must be noted that recently there has been a change in values and allocation of new consumer segments where quality is more important than quantity, in the short term it does not matter as long and does not think the more the "I" but by "we". In line with this new vision of food companies must go in line with the modern thinking of the consumer society.

European consumers today, seeking a healthy, safe, nutritional values, organic food. The EU market for such food government growing customer demand and the offer was not sufficiently monitored. There are opportunities for all.

Republic of Serbia has the firm intention of becoming part of the European Union. Because all companies, especially food, because food market is one of the fastest growing, have to prepare well for this highly demanding European market. Republic of Serbia has a great chance just in the food industry in the EU market. And the reason that in Serbia the environment and unpolluted land and labor cheap. Also, its quality knowledge in this area has always existed and continuous improvements are made. These are all basic parameters that indicate that food companies from the Republic of Serbia have the opportunity to produce and sell healthy, organic, safe, adequate nutrition, organic food, what European consumers demand. And to be well positioned to competitors, as well.

Now is the right question for what's might in the future need the most work to make this happen. The answer is strategically formulated and implemented a green marketing as a strategic comparative advantage of food companies from Serbia to the EU market. The concept of green marketing must be involved in all stages of production and sale of food products. And from farm to fork. Since the primary Serbian agricultural manufacturers to the final of the European consumer, all with serious co-ordination and support from the government of the Republic of Serbia. In order that food companies from Serbia, the manufacturers of organic healthy

foods, become even greener, because the EU market each day waiting for a greener European consumers. Definitely, the green marketing is a great potential to achieve strategic competitive advantage of food companies from Serbia to the EU market.

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